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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS AGUA FRIA
WATER DISTRICT, ANTHEM WATER
DISTRICT, HAVASU WATER DISTRICT,
MOHAVE WATER DISTRICT, PARADISE
VALLEY WATER DISTRICT, SUN CITY
WEST WATER DISTRICT AND TUBAC
WATER DISTRICT.

Docket No. W-01303A-08-0227

Arizona Corporation Commission

DOCKETED

APR - 6 2010

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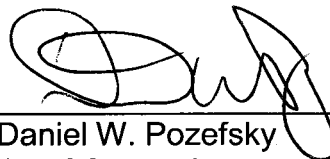
IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS AGUA FRIA
WASTEWATER DISTRICT, ANTHEM
WASTEWATER DISTRICT AND MOHAVE
WASTEWATER DISTRICT.

Docket No. SW-01303A-08-0227

**NOTICE OF FILING RUCO'S
REPORT ON
ARIZONA-AMERICAN WATER
COMPANY, INC.'S
STEP ONE ARSENIC FILING -
TUBAC DISTRICT**

1 The Residential Utility Consumer Office ("RUCO") hereby provides its Audit Report of
2 Arizona-American Water Company Inc.'s Step One ACRM filing for its Tubac Water District.

3 RESPECTFULLY SUBMITTED this 6th day of April, 2010.
4

5 
6

7 Daniel W. Pozefsky
8 Chief Counsel

9 AN ORIGINAL AND THIRTEEN COPIES
10 of the foregoing filed this 6th day
11 of April, 2010 with:

12 Docket Control
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

16 COPIES of the foregoing hand delivered/
17 mailed this 6th day of April, 2010 to:

18 Teena Wolfe
19 Administrative Law Judge
20 Hearing Division
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007

24 Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

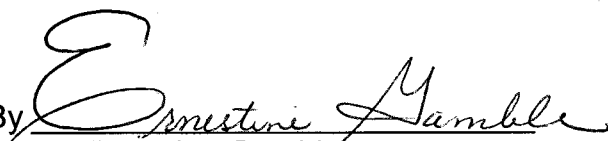
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1 Marshall Magruder
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2 Tubac, Arizona 85646-1267

3
4
5 By 
Ernestine Gamble

TO: Jodi Jerich, Director
Dan Pozefsky, Chief Counsel
William Rigsby, Acting Chief Accounting and Rates

FROM: Rodney Moore, Public Utilities Analyst V

RE: **TUBAC WATER DISTRICT** - Report on RUCO's audit of the Arizona-American Water Company filing for an Arsenic Cost Recovery Mechanism (ACRM) Step 1 rate increase for its Tubac Water District.

AUDIT OBJECTIVE: The purpose and objective of this audit was to verify the capital expenditures of the recently completed arsenic plant in the Tubac Water District, to verify that the plant is in service, verify compliance with Decision Nos. 71410 and 66400 authorizing the ACRM, and verify the accuracy of the requested ACRM surcharge.

AUDIT PROCEDURES: I performed the following audit procedures:

- 1) Verified that all schedules that are required by Decision No. 66400 are included in the application.
- 2) Reviewed Earnings Test for compliance, accuracy, and determined if the Company had passed the Earnings Test.
- 3) Reviewed all arsenic plant invoices, looking for such things as misallocations, unreasonable costs, non-arsenic plant costs, double billings etc.
- 4) Verified accuracy of Task Order totals and grand total.
- 5) Reviewed Revenue Requirement calculations for accuracy and compliance.
- 6) Reviewed rate design for compliance with 50/50 requirement, accuracy of calculations, and checked the reasonableness of the billing determinants by comparing to the prior rate case.
- 7) Verified that the Tubac plant was in-service.

Jodi Jerich, Director
Dan Pozefsky, Chief Counsel
William Rigsby, Acting Chief Accounting and Rates
Page 2

AUDIT FINDINGS: The Tubac Water District ACRM filing is accurate and in compliance with Decision Nos. 71410 and 66400.

AUDIT RECOMMENDATIONS:
RUCO agrees with the Company's ACRM request.
RUCO recommended ACRM step 1 rate increases are displayed on attached schedule RUCO ACRM -1.

RUCO ADJUSTMENT TO ACRM - TUBAC WATER DISTRICT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] RUCO ADJUSTMENT	[C] RUCO AS ADJUSTED
	Arsenic Plant Revenue Requirement			
1	Gross Arsenic Plant in Service/Rate Base	\$ 866,062	\$ -	\$ 866,062
2	Accumulated Depreciation Of Arsenic Plant	-	-	-
3	Arsenic Rate Base	\$ 866,062		\$ 866,062
4	Required Rate of Return (Dec. No. 71410)	7.33%		7.33%
5	Required Operating Income	\$ 63,482		\$ 63,482
6	Gross Revenue Conversion Factor (Dec. No. 71410)	1.42740		1.42740
7	Revenue Required - Return on Arsenic Treatment Plant	\$ 90,615		\$ 90,615
8	Depreciation Rate on Arsenic Treatment Plant (Co. Workpapers)	3.92%		3.92%
9	Depreciation on Arsenic Treatment Plant (Co. Workpapers)	\$ 33,991		\$ 33,991
10	Lease Charges - Capital Portion	\$ -	\$ -	\$ -
11	Revenue Required - Capital Costs	\$ 124,606		\$ 124,606
12	Recurring O&M	\$ -	\$ -	\$ -
13	Revenue Required - Recurring O&M Expenses	\$ 124,606		\$ 124,606
14	Revenue Required - Deferred O&M Expenses	\$ -	\$ -	\$ -
15	Total Revenue Required - Step 1	\$ 124,606		\$ 124,606

16 COMPANY PROPOSED

	RATES	CURRENT RATES DEC. NO. 68302	PROPOSED ACRM STEP 1 BASE SURCHARGE	PROPOSED ACRM STEP 2 DEFERRED O&M SURCHARGE	TOTAL PROPOSED
17	Basic Monthly Minimum Service Charge 5/8" X 3/4" Meter	\$ 24.70	\$ 3.99	\$ -	\$ 28.69
	Commodity Rates Per 1,000 Gallons				
18	0 to 3,000 gallons	\$ 1.9000	\$ 0.7040	\$ -	\$ 2.6040
19	3,001 to 10,000 gallons	\$ 3.0000	\$ 0.7040	\$ -	\$ 3.7040
20	10,001 - 20,000 gallons	\$ 4.0000	\$ 0.7040	\$ -	\$ 4.7040
21	20,001 gallons and over	\$ 6.0000	\$ 0.7040	\$ -	\$ 6.7040

RUCO PROPOSED

	RATES	CURRENT RATES DEC. NO. 68302	PROPOSED ACRM STEP 1 BASE SURCHARGE	PROPOSED ACRM STEP 2 DEFERRED O&M SURCHARGE	TOTAL PROPOSED
22	Basic Monthly Minimum Service Charge 5/8" X 3/4" Meter	\$ 24.70	\$ 3.99	\$ -	\$ 28.69
	Commodity Rates Per 1,000 Gallons				
23	0 to 3,000 gallons	\$ 1.9000	\$ 0.7040	\$ -	\$ 2.6040
24	3,001 to 10,000 gallons	\$ 3.0000	\$ 0.7040	\$ -	\$ 3.7040
25	10,001 - 20,000 gallons	\$ 4.0000	\$ 0.7040	\$ -	\$ 4.7040
26	20,001 gallons and over	\$ 6.0000	\$ 0.7040	\$ -	\$ 6.7040

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
Line No.	Growth	Customers	Total Gallons Sold	Gallons Sold Per Cust.						
1	Dec. 2006 (Year 1)	588	90,653,000	154,172						
2	Dec. 2007 (Year 2)	589	86,341,000	146,589						
3	Year 2 minus Year 1	1	(4,312,000)	(7,582.6)						
4	Percentage Change	0.17%	-4.76%	-4.92%						
5	Avg Gallons (Col B Ln 1 + Col B Ln 2 + 2)		88,497,000							
6										
7										
8										
9										
10	Meter Size	Average Customers at 31-Dec-07	Estimated Customers at 31-Dec-08	Estimated Average Customers	Monthly Minimum	Equivalent Meters	Monthly Base	Base Total	Monthly Deferred	Deferred Total
11	5/8-inch	480	481	480	\$ 24.70	1.0	\$ 3.99	\$ 23,007	\$ -	\$ -
12	1-inch	44	44	44	74.10	3.0	11.98	6,327	-	-
13	2-inch	42	42	42	144.38	5.8	23.35	11,768	-	-
14	3-inch	2	2	2	230.53	9.3	37.28	895	-	-
15	4-inch	18	18	18	461.00	18.7	74.55	16,103	-	-
16	6-inch	3	3	3	722.00	29.2	116.76	4,203	-	-
17	8-inch	-	-	-	1,440.00	58.3	232.87	-	-	-
18	10-inch	-	-	-	2,305.00	93.3	372.75	-	-	-
Fixed Increment										
Total 1,300 \$ 62,303 \$ -										
22										
23										
24										
25	Calculation of Recurring O&M Surcharge									
26	Total recurring O&M costs (ACRM-2, Pg 1, Col (C) Line 13)	\$	124,606	Minimum Surcharge	Commodity Surcharge					
27	Minimum Revenue (Col B Ln 26 + 2)	\$	62,303	\$	62,303					
28	Commodity Revenue (Col B Ln 26 + 2)									
29										
30	Monthly Increment Per Equivalent Meter									
31	Equivalent Meters (Col F Ln 22 x 12 Months)	15,598								
32	Minimum Surcharge (Col C Ln 27 + Ln 31)	\$ 3.99								
33	Average Gallons (Col B Ln 5)	88,497,000								
34	Commodity Surcharge (Col D Ln 28 + Ln 35)	\$ 0.7040								
35	Calculation of Deferred O&M Surcharge									
36	Total deferred O&M costs (ACRM-2, Pg 1, Col (C) Ln 14)	\$	-	Minimum Surcharge	Commodity Surcharge					
37	Monthly Minimum Revenue (Col B Ln 41 + 2)	\$	-	\$	-					
38	Commodity Revenue (Col B Ln 41 + 2)									
39	Monthly Increment Per Equivalent Meter									
40	Equivalent Meters (Col F Ln 22 x 12 Months)	15,598								
41	Minimum Surcharge (Col C Ln 42 + Ln 46)	\$	-	\$	-					
42	Average Gallons (Col B Ln 5)	88,497,000								
43	Commodity Surcharge (Col D Ln 43 + Ln 50)	\$	-	\$	-					
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